

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

ASOCIACIÓN DE INDUSTRIALES
DE PUERTO RICO,

Plaintiff,

v.

MARKETNEXT, INC., et al.,

Defendants.

Civil No. 09-1122 (JAF)

MEMORANDUM OPINION

Plaintiff, Asociación de Industriales de Puerto Rico ("Puerto Rico Manufacturers' Association," or "AIPR"), brings this case against Defendants, MarketNext, Inc. ("MarketNext"), Edison R. Mislá-Grillasca ("Mislá"), Yvette Olivero-Vázquez ("Olivero"), the conjugal partnership between Mislá and Olivero, Graphic Print & Design, Inc. ("Graphic"), Guillermo Avilés-Aguirrechea ("Avilés"), Glorimar de Jesús-Mila ("de Jesús"), and the conjugal partnership between Avilés and de Jesús. Docket No. 50. Plaintiff alleges trademark infringement, false designation of origin, unfair competition, false advertising, and trade name infringement under the Lanham Act, 15 U.S.C. § 1125(a); and trademark infringement, unfair competition, false advertising, trade name infringement, contractual breach, and pre-contractual liability under Puerto Rico law, Civil Code art. 1802 (P.R.). Id. Specifically, Plaintiff accuses Defendants of usurping

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1 Plaintiff's use of its trademark, "Industriales." Id. Plaintiff seeks
2 a preliminary injunction against Defendants to bar them from further
3 infringement of Plaintiff's trademark, Docket No. 3; Defendants
4 opposed, Docket Nos. 42, 44. On March 11, 2009, we entered an order
5 for a preliminary injunction against Defendants with a note that a
6 memorandum opinion would follow. Docket No. 46.

7 **I.**

8 **Factual and Procedural Synopsis**

9 We draw the following facts from the record in this case thus
10 far. Docket Nos. 1, 3, 15, 27, 42, 44, 50; Prelim. Inj. Hr'g Tr.

11 Plaintiff is a non-profit trade association, formed in 1928,
12 that represents businesses in the manufacturing and services sectors
13 of Puerto Rico. Manufacturing constitutes forty percent of the Puerto
14 Rican economy. From a peak of 1600 members in 2001, Plaintiff's
15 membership has declined in recent years to 1200 members.

16 In addition to manufacturers, Plaintiff's membership includes
17 law firms and universities in Puerto Rico, and port authorities and
18 banks in the United States proper. Plaintiff regularly communicates
19 with its members through electronic and print media, and seeks to
20 inform the public on matters relevant to manufacturing and services
21 through educational programs and publications. Plaintiff relies on
22 its relationship with its members to achieve its educational and
23 legislative aims. To communicate with its members, Plaintiff has
24 published a trade magazine, "Industriales."

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1 People in the manufacturing and services sectors in Puerto Rico
2 frequently refer to Plaintiff as "los Industriales." Several news
3 articles, dating from as early as 1994, quoted statements by
4 Plaintiff as representative of the views of manufacturers in Puerto
5 Rico. Docket Nos. 1-8, 15-4. An article dated August 29, 2000,
6 referred to Plaintiff by the short form, "Industriales." Id.

7 MarketNext, Inc., is a Puerto Rico company engaged in marketing
8 products and services through print media that it produces. Mislá is
9 the president of MarketNext; Olivero is Mislá's wife. Graphic is a
10 Puerto Rico company engaged in printing media for distribution.
11 Avilés is the president of Graphic; de Jesús is Avilés' spouse.

12 In 2001, Plaintiff published two supplements called
13 "Industriales" in El Nuevo Día, the daily newspaper with the largest
14 circulation in Puerto Rico. The supplement dated July 1, 2001, bore
15 the title, "Industriales," with the circular AIPR logo printed over
16 the second "I" on the front cover. Docket No. 1-6. Disappointed with
17 the inability of El Nuevo Día to run the supplement on glossy paper,
18 Plaintiff terminated publication with El Nuevo Día and sought a new
19 publisher.

20 Plaintiff and MarketNext executed a contract dated April 29,
21 2003 ("Contract"), in which MarketNext agreed to undertake its best
22 efforts in developing, publishing, and promoting Plaintiff's official
23 publication, Industriales. Docket Nos. 1-10, 15-6. The Contract
24 provided that MarketNext would be the exclusive dealer of the

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1 publication and would enjoy a portion of the profits from advertising
2 for the magazine as compensation. Id. The Contract prohibited
3 MarketNext from contracting advertisements that promote partisan
4 politics, religion, pornography, tobacco, or alcohol. Id.
5 Furthermore, the Contract required MarketNext to notify Plaintiff
6 prior to changing advertising fees, report to Plaintiff monthly on
7 the magazine's content and advertisements contracted by MarketNext,
8 consult with Plaintiff regularly on MarketNext's promotional efforts
9 for the magazine, submit proposed advertisements in digital format to
10 Plaintiff in advance of printing, and report to Plaintiff if
11 MarketNext intended to deviate from an agreed schedule for
12 publications and content for the first year. Id. The Contract
13 provided for termination by either party with thirty days' notice.
14 Id. Finally, the Contract was silent on intellectual property rights.
15 See id. Plaintiff did not discuss or contemplate copyright and
16 trademark protection in the course of forming the Contract.

17 MarketNext produced the first issue of Industriales in 2003.
18 The front cover bore the inscription, "Asociación de Industriales de
19 Puerto Rico," above the title, as well as Plaintiff's website,
20 "www.prma.com," immediately beneath the title. Docket No. 1-12. The
21 title, however, does not include Plaintiff's logo. Id. The masthead
22 within the magazine listed Mislá as director, Olivero as sales agent,
23 and Plaintiff's president, executive vice president, and public
24 relations officer. Id. A notice appeared beneath the names, advising

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1 readers that "INDUSTRIALES is published quarterly by MarketNext for
2 the Puerto Rico Manufacturer's Association." Id. Another advisory at
3 the bottom of the masthead alerted readers to MarketNext's assertion
4 of copyright protection over the first issue. Id. Lastly, a letter
5 from Manuel Cidre, Plaintiff's president, appeared in a vertical
6 column next to the masthead. Id. The letter endorsed the new magazine
7 and bears Plaintiff's circular logo. Id.

8 During the course of MarketNext's performance on the Contract,
9 William Riefkohl, Plaintiff's executive vice president, occasionally
10 instructed Mislá on content for Industriales, such as directing him
11 to exclude coverage of politicians in an issue preceding the 2004
12 Puerto Rico elections. Plaintiff never received payments from
13 MarketNext under the profit-sharing clause in the Contract, and
14 MarketNext never gave full accounting of its profits arising from its
15 advertisement campaign for Industriales. At the hearing, Mislá
16 testified that he had provided some figures to Plaintiff, but could
17 not cite specific documents. Mislá considered the advertisers to be
18 the chief clients for MarketNext, as the fees paid by advertising
19 companies contributed to the production of Industriales.

20 MarketNext had originally obtained a list of potential
21 advertising customers from Plaintiff comprised of Plaintiff's
22 membership after the conclusion of their Contract in 2003.
23 Initially, MarketNext primarily promoted Industriales among
24 Plaintiff's members. See Docket No. 1-14. MarketNext has further

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1 developed customer relations through its own efforts, and has
2 supplemented its contacts with Plaintiff's updated membership
3 directories that Mislá once received as a member of AIPR.
4 Plaintiff's members continue to comprise a substantial portion,
5 perhaps nearly one-half, of MarketNext's advertising customer base.

6 Between October 2005 and September 2007, MarketNext filed for,
7 and secured, copyright protection from the United States Copyright
8 Office for all issues of Industriales from 2004 to 2007. Docket
9 No. 44-2. The certificates of registration include no reference to
10 Plaintiff, and Mislá affirmed by signature on each of these filings
11 that he is the authorized agent of the copyright claimant. Id.

12 On February 4, 2008, MarketNext sent a letter to Plaintiff
13 seeking renegotiation of the Contract, demanding that Plaintiff
14 recognize MarketNext's claim of intellectual property rights over
15 Industriales. Docket Nos. 1-15, 15-10. Plaintiff resisted these
16 demands in writing. Docket Nos. 1-16, 15-10. Riefkohl met Mislá
17 personally in August 2008 to discuss the contractual dispute. Mislá
18 attended the meeting under the belief that Riefkohl had invited him
19 to discuss the content of the magazine, an authority which Riefkohl
20 had rarely exercised during MarketNext's course of performance to
21 that date. After this meeting, MarketNext and Plaintiff exchanged
22 further correspondence in which MarketNext persistently claimed
23 ownership over the magazine and Plaintiff consistently contested
24 these claims. Docket Nos. 1-20, 1-21, 15-14, 15-15.

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1 On May 5, 2008, MarketNext petitioned the Puerto Rico Department
2 of State to register "Industriales" as its own trademark for
3 publications. Docket Nos. 1-17, 15-11. In the petition, Misla
4 certified that he had no knowledge of any other entity with the right
5 to use the same mark in Puerto Rico. Id. In support of this
6 application, Misla also submitted an affidavit dated April 24, 2008,
7 asserting MarketNext's own use of the mark in its publications since
8 2003. Docket Nos. 1-23, 15-17.

9 Publication continued under the Contract until November 5, 2008,
10 when Plaintiff gave notice of its intent to terminate the Contract.
11 Docket Nos. 1-22, 15-16. Since then, Defendants have produced two
12 more issues of their publication without Plaintiff's authorization.
13 Docket Nos. 1-25, 1-26, 15-18. The masthead in the first of these
14 issues omitted all references to Plaintiff and its officers, and
15 stated that MarketNext is the publisher of Industriales. Docket
16 Nos. 1-25, 15-18. The issue included a letter from Misla which
17 asserted that MarketNext will continue publication after six years as
18 publisher of Industriales. Id. This issue featured numerous
19 advertisements from firms doing business in Puerto Rico. Id.
20 MarketNext maintains a website, "www.industrialesmag.com," to promote
21 its publication. Docket No. 1-30.

22 On December 17, 2008, after Plaintiff had learned of the
23 publication of the first issue without its permission, Plaintiff
24 demanded that Graphic, MarketNext's printer, cease and desist from

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1 further publication. Docket Nos. 1-28, 15-20. In its letter,
2 Plaintiff asserted ownership of the trademark, "Industriales," and
3 informed Graphic that it had a pending application for trademark
4 protection with the Puerto Rico Department of State. Id.

5 On January 23, 2009, MarketNext filed a petition before the
6 United States Patent and Trademark Office ("PTO"), claiming ownership
7 of the mark, "Industriales," and asserting that it had first used the
8 mark in February 2003, and that it had first used the mark in
9 commerce in September 2007. Docket No. 1-24. Subsequently, Plaintiff
10 filed its own petition for trademark protection for "Industriales" on
11 January 29, 2009, asserting first use and first use in commerce on
12 July 1, 2001. Docket No. 1-33.

13 Mislá sent a letter dated February 5, 2009, informing his
14 advertising customers that Industriales, as published by MarketNext,
15 was no longer affiliated with Plaintiff. Docket Nos. 1-32, 15-22.
16 The letter stated that MarketNext would continue to develop its
17 publication and expand distribution in Puerto Rico and the United
18 States. Id. Lastly, the letter asserted that Defendant Olivero was
19 the only person authorized to receive communications on placing
20 advertisements in Industriales. Id.

21 After Plaintiff had terminated its Contract with MarketNext, it
22 hired a new publisher, Media & Marketing Partners Co. ("Media"), to
23 continue publication of Industriales. José J. Balmaceda, the
24 president of Media, encountered significant problems from competition

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1 with MarketNext after Plaintiff had retained him in December 2008 to
2 print Industriales. On January 27, 2009, MarketNext threatened Media
3 with legal repercussions from Media's "illegal" use of "Industriales"
4 for its publication authorized by Plaintiff. Docket No. 1-31. In the
5 letter, MarketNext claimed trademark protection under Puerto Rico law
6 and asserted that it had been using the title, "Industriales," since
7 May 2003. Id. Potential interviewees and advertisers expressed
8 reservations about cooperating with Media due to their previous
9 relationship with MarketNext, leading Balmaceda to believe that
10 MarketNext is thwarting his efforts at producing Industriales on
11 behalf of Plaintiff. Two of Plaintiff's members attested to their
12 confusion over continued publication by MarketNext without
13 Plaintiff's authorization. Docket No. 1-29. These affiants asserted
14 that they would not have advertised in MarketNext's publication if
15 they had known that the magazine was unauthorized. Id.

16 Plaintiff depends on Industriales to effectively communicate
17 with its members and to inform the public at large about its
18 positions on economic policy in Puerto Rico. Since the termination of
19 the Contract, Plaintiff has had no editorial control over Defendants'
20 rival publication. Plaintiff risks loss of goodwill, business
21 opportunities, and a vehicle to expand its membership if it cannot
22 use the mark, "Industriales," without interference.

23 On February 10, 2009, Plaintiff commenced this action in federal
24 district court seeking monetary damages and injunctive relief.

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1 Docket No. 1. Plaintiff sought a preliminary injunction against
2 Defendants on February 10, 2009, Docket No. 3; Defendants opposed on
3 March 9, 2009, Docket Nos. 42, 44; we held a hearing on March 10,
4 2009, Docket Nos. 47, 48, 49.

5 On March 11, 2009, we entered an order against Defendants,
6 preliminarily enjoining them from using the mark, "Industriales," in
7 commerce via print or electronic media, causing the public to
8 associate Defendants' services with Plaintiff, and competing unfairly
9 with Plaintiff or its licensees by falsely representing the nature of
10 Defendants' services. Docket No. 46. We allowed Defendants ten days
11 to comply with the order and certify their compliance by sworn
12 affidavit. Id. Furthermore, we granted the preliminary injunction on
13 the condition that Plaintiff post a duly-qualified surety bond in the
14 amount of \$20,000 within seventy-two hours to insure Defendants
15 against the effects of an unwarranted injunction. Id. Lastly, we said
16 that a memorandum opinion would follow the order. Id.

17 II.

18 Analysis

19 A party may move for a preliminary injunction pursuant to
20 Federal Rule of Civil Procedure 65. In considering the motion, we
21 must ascertain (1) the movant's likelihood of success on the merits;
22 (2) the potential for irreparable harm to the movant absent the
23 injunction; (3) the balance of the equities; and (4) the public

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1 interest. Borinquen Biscuit Corp. v. M.V. Trading Corp., 443 F.3d
2 112, 115 (1st Cir. 2006).

3 **A. Likelihood of Success on the Merits**

4 To obtain a preliminary injunction against trademark
5 infringement, the likelihood of a plaintiff's success on the merits
6 turns on the plaintiff's demonstration "that its mark merits
7 protection and that the allegedly infringing use is likely to result
8 in consumer confusion." Borinquen Biscuit, 443 F.3d at 116.

9 **1. Entitlement to Trademark Protection**

10 Plaintiff asserts that the mark, "Industriales," is entitled to
11 trademark protection and that Plaintiff has priority in right over
12 the mark. Docket No. 3. We find that Plaintiff has sufficiently shown
13 that "Industriales" is a distinctive mark in the market of trade
14 magazines printed in Puerto Rico, and that Plaintiff has prior
15 ownership of the mark.

16 **a. Distinctiveness**

17 Federal trademark law only protects marks that distinguish one
18 product from another. Borinquen Biscuit, 443 F.3d at 116 (citing Two
19 Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 769 (1992)). The mark
20 must "serve[] the purpose of identifying the source of the goods."
21 Colt Def. LLC v. Bushmaster Firearms, Inc., 486 F.3d 701, 705 (1st
22 Cir. 2007). Where a trademark is unregistered, the plaintiff seeking
23 protection must satisfy the court of the mark's distinctiveness
24 through specific facts. Borinquen Biscuit, 443 F.3d at 117. In

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1 rebuttal, the defendant may show the mark's genericness by
2 preponderance of the evidence. See Colt Def., 486 F.3d at 705.

3 Firstly, marks classified as suggestive, arbitrary, or fanciful
4 are inherently distinctive. Borinquen Biscuit, 443 F.3d at 116. A
5 suggestive mark "itself does not convey information about [the]
6 product," but rather "requires the consumer to exercise the
7 imagination in order to draw a conclusion as to the nature of goods
8 and services." Equine Techs., Inc. v. Equitechnology, Inc., 68 F.3d
9 542, 545 (1st Cir. 1995). For instance, "COPPERTONE is suggestive of
10 suntan lotion because it hints at the nature of the connected
11 product." Boston Duck Tours, LP v. Super Duck Tours, LLC, 531 F.3d 1,
12 n.10 (1st Cir. 2008). An arbitrary mark consists of a word or
13 symbol in common use, but applied to a product in an idiosyncratic
14 way such that it cannot relate to the mark's common definition.
15 Boston Duck Tours, 531 F.3d at 13 n.11 (citing "APPLE" computers as
16 unrelated to fruits). A fanciful mark consists of a word that was
17 specifically invented to identify a certain product. Id. at 13 n.12
18 (citing "EXXON" as "designed solely to designate petroleum and other
19 related goods").

20 Secondly, descriptive marks are those that fall short of
21 inherent distinctiveness. Borinquen Biscuit, 443 F.3d at 116. For
22 example, "Commerce" has been held to be descriptive as applied to an
23 insurance company, rather than inherently distinctive, because it is
24 a word in common use in business. Commerce Nat'l Ins. Servs., Inc. v.

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1 Commerce Ins. Agency, Inc., 214 F.3d 432, 440 (3d Cir. 2000).
2 Descriptive marks must acquire secondary meaning before they warrant
3 protection as distinctive marks. Borinquen Biscuit, 443 F.3d at 116.
4 The holder must "establish that, in the minds of the public, the
5 primary significance of the mark is to identify the source of the
6 product rather than the product itself." Id. (internal quotation
7 marks omitted). Secondary meaning could be founded upon the holder's
8 longstanding use of the mark in a particular market. See Commerce
9 Nat'l Ins. Servs., 214 F.3d at 443-44.

10 Lastly, generic marks are never distinctive. Id. Their "primary
11 significance to the relevant public [is] to identify the nature of a
12 good, rather than its source." Colt Def., 486 F.3d at 705 (citing 15
13 U.S.C. § 1064(3)) (internal quotation marks omitted). For instance,
14 "M4" was found to be a generic reference to a class of firearms,
15 rather than a specific designation of a particular manufacturer's
16 products. Id. at 710. To establish genericness as a defense, the
17 defendant may resort to consumer surveys, common use in media, use by
18 competitors, purchaser testimony, and plaintiff's own use. Id. at
19 706.

20 I. Suggestive Mark

21 Plaintiff insists that "Industriales" qualifies as a suggestive
22 and, hence, an inherently distinctive, mark. Docket No. 3. Although
23 Spanish is an official language in Puerto Rico, 1 L.P.R.A. § 59
24 (1999), we translate non-English words into English to assess whether

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1 putative marks are suggestive or descriptive, see Attrezzi, LLC v.
2 Maytag Corp., 436 F.3d 32, 38 (1st Cir. 2006) (applying the doctrine
3 of foreign equivalents).

4 The Spanish term, "Industriales," simply means "industrialists"
5 in English. Cassell's Spanish-English Dictionary 367 (1978). Even
6 though the readers of Industriales may apprehend that it is a trade
7 magazine targeting manufacturers, "industrialist," by itself, does
8 not require an imaginary leap to identify the nature of the
9 publication. Cf. Equine Techs., 68 F.3d at 545 (finding that
10 imagination is needed to link "Equine Technologies" to plaintiff's
11 hoof care products). Therefore, Plaintiff will not likely establish
12 "Industriales" as an inherently distinctive mark at trial. See id.

13 **ii. Secondary Meaning**

14 Although "Industriales" does not meet the standard for
15 suggestive marks, it has nonetheless acquired secondary meaning as a
16 descriptive mark. To become distinctive, "the public [must]
17 associate[] the [descriptive] term . . . not only with a specific
18 feature or quality, but also with a single commercial source."
19 Boston Duck Tours, 531 F.3d at 13.

20 Like "commerce," "industrialist" is a word in common use which
21 describes certain goods or services. See Commerce Nat'l Ins. Servs.,
22 214 F.3d at 440. However, Plaintiff points to news articles referring
23 to it as "los Industriales" as early as 2000. Docket Nos. 1-8, 15-4.
24 The first several issues of Industriales explicitly advertised its
25 affiliation with Plaintiff on the front cover. See Docket No. 1-12.

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1 Mastheads in later issues continued to alert readers of the
2 publication's association with Plaintiff until Defendants produced
3 two unauthorized editions in late 2008. Even if the title by itself
4 failed to distinguish the magazine, MarketNext's tireless efforts in
5 promoting the publication served to publicly associate "Industriales"
6 with Plaintiff's periodical. Certainly, by the end of 2008, the
7 advertising customer base of Industriales, which included many large
8 entities engaged in commerce in Puerto Rico, had come to identify the
9 mark with the journal itself. Such association explains the confusion
10 of some customers when Media approached them for advertising and
11 interviews for its licensed publication. Thus, Plaintiff has produced
12 sufficient evidence for a preliminary finding that "Industriales" has
13 gained secondary meaning to become a distinctive mark. See Boston
14 Duck Tours, 531 F.3d at 13.

15 **iii. Genericness Defense**

16 In an effort to defeat trademark protection, Defendants assert
17 that "Industriales" is a generic term. Docket No. 42. We direct our
18 inquiry to the meaning that the "relevant public" attaches to the
19 word. See Colt Def., 486 F.3d at 706.

20 Based on the evidence in the record, we find that the relevant
21 market is that of potential advertisers and readers interested in
22 doing business in, or engaging in commerce with, Puerto Rico. As
23 noted above, Plaintiff has cited instances of actual confusion among
24 potential advertisers who associated the mark with a single
25 publication. Docket No. 1-29. Defendant has presented no evidence of

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1 other publications with an identical title, such that "Industriales"
2 has become a commonplace name for publications in Puerto Rico. Cf.
3 Colt Def., 486 F.3d at 710 (finding that "M4" described an entire
4 class of firearms). Although Defendants' own application for
5 trademark protection in Puerto Rico, Docket No. 1-17, does not estop
6 them from raising the genericness defense, see Boston Duck Tours, 531
7 F.3d at 22-23, it is relevant evidence of the mark's primary
8 significance to the relevant public, see id. at 18. As Defendants'
9 evidence is equivocal at best, they cannot rebut Plaintiff's case for
10 trademark protection. See id.

11 **b. Priority in Right**

12 In riposte, Defendants maintain that, even if "Industriales"
13 deserves trademark protection, MarketNext, not Plaintiff, owns the
14 mark. Docket No. 42. On the contrary, we find that Plaintiff owns the
15 mark by virtue of its agency relationship with MarketNext.

16 **i. First Use**

17 At the threshold, "it is well settled that the right to use [a]
18 . . . mark is based on priority of appropriation." See Blanchard
19 Importing & Distrib. Co. v. Charles Gilman & Son, Inc., 353 F.2d 400,
20 401 (1st Cir. 1965). However, for federal trademark protection to
21 attach, a mark must have been used in interstate commerce. See The
22 Trade-Mark Cases, 100 U.S. 82 (1879).

23 Although Plaintiff first printed a newspaper supplement,
24 "Industriales," in El Nuevo Día in 2001, there is no evidence that
25 circulation of this supplement reached beyond Puerto Rico. However,

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1 there is ample evidence that the magazine, Industriales, has been
2 distributed to Plaintiff's members, which includes public and private
3 entities in the United States proper. See Docket No. 48 (item 18).
4 Moreover, Mislá has informed his customers that MarketNext intends to
5 expand distribution in the United States. Docket Nos. 1-32, 15-22.

6 Thus, first use of "Industriales" as a mark for a magazine may
7 not have occurred until 2003.¹ Indeed, MarketNext asserted in its
8 application for trademark protection that it had first used the mark
9 in commerce in September 2007. Docket Nos. 1-17, 15-11. In other
10 words, the mark did not become a valuable asset subject to ownership
11 until it was appropriated by first use in a magazine under the
12 Contract between Plaintiff and MarketNext. See Blanchard Importing,
13 353 F.2d at 401. Assuming that first use occurred during the course
14 of performance on the Contract, we address the ownership of fruits of
15 the contractual relationship.

16 **ii. Agency Relationship**

17 The civil law of Puerto Rico, 31 L.P.R.A. § 4421-88 (1990),
18 furnishes the substantive law of agency. González-González v. United
19 States, 581 F. Supp. 2d 272, 279 (D.P.R. 2008) (citing Erie R.R. v.
20 Tompkins, 304 U.S. 64, 78 (1938)). In Puerto Rico, an agent binds
21 himself to render a service on behalf of his principal. 31 L.P.R.A.
22 § 4421. The agency relationship ("mandato") may be formed expressly
23 or may be implied from the acts of the putative agent. Id. § 4422.

¹ If Plaintiff had indeed first used "Industriales" as a mark for publications in 2001, Plaintiff would necessarily be the owner of the mark. See Blanchard Importing, 353 F.2d at 401.

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1 Generally, unless the parties agree to compensation, the agent
2 presumably agrees to perform his services gratuitously. Id. § 4423.
3 Finally, an agent must account for all transactions conducted on
4 behalf of the principal. Id. § 4443. The agent must render to the
5 principal all fruits received in the course of the agency
6 relationship, even if they did not arise from debts owed to the
7 principal. Id.

8 In the case at bar, Plaintiff contracted MarketNext to produce,
9 publish, and promote the publication, Industriales. Docket Nos. 1-10,
10 15-6. MarketNext undertook to make its best efforts to promote
11 Industriales as the exclusive dealer of the trade journal. Id. The
12 Contract required MarketNext to abide by numerous conditions, in
13 terms of production schedules and prohibited content, in rendering
14 performance for Plaintiff. Id. The Contract obliged MarketNext to
15 submit its advertising efforts to regular review by Plaintiff. Id.
16 Although the Contract failed to specify the manner in which
17 MarketNext was to account for profits, it provided that a certain
18 portion of the profits could become payable to Plaintiff. Id. In the
19 course of performance, Riefkohl occasionally exercised final
20 discretion over the content of the publication. Furthermore, Misla
21 testified that he believed that Riefkohl could influence the content
22 of the magazine. Even if the Contract did not expressly define the
23 relationship as one of agency, we may infer it from the terms of the
24 Contract and MarketNext's conduct under the agreement. See 31
25 L.P.R.A. § 4422.

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1 Because MarketNext was Plaintiff's agent, all fruits received in
2 the course of MarketNext's performance naturally belong to the
3 principal, Plaintiff. See id. § 4443. The mark, "Industriales,"
4 became a valuable asset after its first use in the magazine in 2003.
5 Although MarketNext was instrumental to the creation of this asset,
6 MarketNext was an agent to Plaintiff and, thus, could not have "used"
7 the mark for its own sake to appropriate it. Furthermore, MarketNext
8 was under obligation to tender the mark to Plaintiff upon the
9 termination of their Contract.² See id. Therefore, ownership of the
10 mark properly rests with Plaintiff.

11 **2. Likelihood of Consumer Confusion**

12 Plaintiff contends that it is likely to prevail on the merits
13 because of actual confusion by Plaintiff's members and customers who
14 advertise in Industriales. Docket No. 3. Eight factors guide the
15 inquiry into consumer confusion:

- 16 (1) the similarity of the marks; (2) the
17 similarity of the goods; (3) the relationship
18 between the parties' channels of trade; (4) the
19 relationship between the parties' advertising;
20 (5) the classes of prospective purchasers;
21 (6) evidence of actual confusion; (7) the
22 defendant's intent in adopting its mark; and
23 (8) the strength of the plaintiff's mark.

² In addition, Plaintiff did not grant its rights to Defendants as compensation. The Contract is silent on intellectual property rights, Docket Nos. 1-10, 15-6, and the law generally presumes gratuitous assumption of duties by an agent, 31 L.P.R.A. § 4423. Moreover, the Contract expressly provided for profit-sharing with MarketNext, Docket Nos. 1-10, 15-6, and, thus, fulfilled Plaintiff's obligation to pay MarketNext as an agent who specializes in marketing, see 31 L.P.R.A. § 4423.

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1 Borinquen Biscuit, 443 F.3d at 120. A court should take all eight
2 factors into account, but none is dispositive by itself. Id.

3 Of the eight factors, evidence of actual confusion is most
4 probative of potential confusion in the market. Id. Plaintiff has
5 presented statements from its members indicating actual confusion
6 over the identity of the competing magazines of Plaintiff and
7 Defendants. Docket No. 1-29.

8 Furthermore, Plaintiff and Defendants' sparring over the use of
9 an identical magazine title easily disposes of the first two factors.
10 See Borinquen Biscuit, 443 F.3d at 120. Plaintiff's evidence of
11 reluctance of prospective interviewees and advertisers on account of
12 their prior engagement with Defendants satisfies the third, fourth,
13 and fifth factors. See id.

14 Misla's letter informing his customers of the severance of
15 relations with Plaintiff satisfies the seventh factor. Docket Nos. 1-
16 32, 15-22; see Borinquen Biscuit, 443 F.3d at 120. By projecting
17 further expansion of the magazine's circulation, Misla clearly
18 understood that "Industriales" had become a valuable asset for
19 advertising purposes. See Docket Nos. 1-32, 15-22. Furthermore, by
20 insisting that Olivero is the only person authorized to contract
21 advertisements for Industriales, Misla tried to steer clients away
22 from Plaintiff and usurp Plaintiff's trademark ownership to reap
23 anticipated benefits. See id.

24 Lastly, our previous discussion of the mark's entitlement to
25 protection suggests that the mark has some strength. See Boston Duck

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1 Tours, 531 F.3d at 23 (discussing strength of mark by reference to
2 prior analysis of secondary meaning). Therefore, Plaintiff has shown
3 that it is likely to prevail on the merits. See Borinquen Biscuit,
4 443 F.3d at 116.

5 **B. Irreparable Harm**

6 "[T]rademark infringements may be presumed without more to cause
7 irreparable harm." Am. Bd. of Psychiatry & Neurology v. Johnson-
8 Powell, 129 F.3d 1, 4 (1st Cir. 1997). As noted above, Plaintiff has
9 demonstrated its entitlement to trademark protection and actual
10 confusion among consumers. Plaintiff's loss of editorial control over
11 the contents of Defendants' publication also threatens to tarnish
12 Plaintiff's public image, as readers may associate unauthorized
13 statements with Plaintiff itself. Furthermore, Plaintiff has come to
14 rely on the magazine for communicating with its members and the
15 general public, and loss of the publication would erode its influence
16 in print and electronic media associated with industrial interests in
17 Puerto Rico. Lastly, Defendants' promotional efforts target
18 Plaintiff's members and, hence, threaten direct interference with
19 Plaintiff's relationship with its members. Plaintiff has, therefore,
20 established the likelihood of irreparable harm to its business
21 opportunities, goodwill, and capacity for effective communication
22 absent a preliminary injunction.

23 **C. Balance of Equities**

24 In addition to the probable harm noted above, Defendants'
25 conduct is noteworthy for its flagrantly bad faith. While punitive

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1 damages are unavailable for contractual breach at common law, the
2 civil law of Puerto Rico penalizes deceitful performance on a
3 contract. See Prado-Álvarez v. R.J. Reynolds Tobacco Co., 405 F.3d
4 36, 44-45 (1st Cir. 2005) (noting that contractual deceit (*dolus* or
5 *dolo*) is basis for recovery). The doctrine of *dolus* extends to pre-
6 contractual negotiations. Satellite Broad. Cable, Inc. v. Telefónica
7 de España, S.A., 807 F. Supp. 218, 220 (D.P.R. 1992) (interpreting
8 Civil Code art. 1802 to require good faith in negotiations).

9 Defendants' applications for copyright and trademark protection
10 evince steady encroachment on Plaintiff's rights to the fruits of its
11 agency relationship with MarketNext. Docket Nos. 1-17, 15-11, 44-2.
12 MarketNext should have been aware that it served at the pleasure of
13 Plaintiff, and that MarketNext published the magazine expressly for
14 Plaintiff under their Contract. See Docket Nos. 1-10, 15-6. It is
15 manifest absurdity for MarketNext to demand Plaintiff's recognition
16 of MarketNext's claim to intellectual property, *i.e.*, Plaintiff's
17 relinquishment of its own rights, as the basis for renegotiation of
18 the Contract. Docket Nos. 1-15, 15-10.

19 In addition, MarketNext owed a duty of loyalty, first and
20 foremost, to Plaintiff. See 31 L.P.R.A. § 4442 (requiring agent to
21 follow principal's instructions). MarketNext was, thus, under a duty
22 not to compete with Plaintiff, its principal, or to usurp
23 opportunities that arose from its work on behalf of Plaintiff. See
24 id. (requiring agent to act as a good parent would for a family).

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1 Misla effectively confessed his disloyalty in open court when he
2 testified that he considered his advertising customers to be the
3 chief clients for MarketNext. Furthermore, MarketNext should have
4 known that any customer relations that it had developed under the
5 Contract were for Plaintiff's benefit and that it ought not wrest
6 members away from Plaintiff. In attempting to cement its usurpation
7 of Plaintiff's proprietary interests by its abuse of legal procedure,
8 and in breaching its duty of loyalty to Plaintiff, MarketNext has
9 proven itself to be a faithless servant indeed.

10 **D. Public Interest**

11 Lastly, the public interest weighs in favor of preliminary
12 injunction. Defendants have insisted upon continuing their
13 publication without authorization from Plaintiff. Docket Nos. 1-32,
14 15-22. Defendants have represented themselves as publishers of
15 Industriales in such a way as to mislead Plaintiff's members into
16 believing that MarketNext, not Media, is authorized to print the
17 magazine. Docket No. 1-29. Under these circumstances, the public
18 could be easily deceived into believing that Defendants' publication
19 represents Plaintiff's views on behalf of Puerto Rico's industries.
20 Given Plaintiff's advocacy on behalf of two-fifths of Puerto Rico's
21 economy, the potential harm to the public is particularly grave.

III.

Conclusion

Having heard all the witnesses with relevant knowledge, and examined all pertinent documents, we reinstate the preliminary injunction against Defendants, Docket No. 46, and **ORDER** the Defendants to show cause, **on or before April 3, 2009**, as to why the preliminary injunction should not be converted into a permanent injunction.

IT IS SO ORDERED.

San Juan, Puerto Rico, this 23rd day of March, 2009.

s/José Antonio Fusté
JOSE ANTONIO FUSTE
Chief U.S. District Judge